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**OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY**

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1. THE HUNGARIAN SITUATION

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The Hungarian radio in the early morning hours of 25 October admitted that as of midnight (Budapest time) fighting continued in certain sections of Budapest, contradicting an earlier broadcast from

Moscow which asserted that the "enemy adventure" had been "liquidated" and order restored in the city. Claiming that the situation had improved since earlier in the evening, the Budapest broadcast stated that "the armed attackers are becoming more and more isolated in some places," but added that the attackers "have begun to start new actions; they are carrying out surprise attacks in groups of two or three."

Soviet and Hungarian military action has included the use of tanks, artillery fire and, in one instance, strafing aircraft against the "rebel" forces, who apparently have occupied a number of industrial plants, apartment buildings and public buildings within the city of Budapest. No accurate reports of over-all casualties have been announced, but eyewitness reports appearing in the press suggest a high casualty rate.

Throughout the day, Radio Budapest-- which had been under siege for several hours in the morning--broadcast appeals from party and government leaders, regional party organizations, workers and front groups calling for an end to the "senseless bloodshed." Broadcasts implied that when the fighting ended the new government would continue a program of democratization and equality with the USSR, and promised that the Soviet troops who "are risking their lives to protect" the peaceful citizens of Budapest would return to their garrisons after order is restored.

The Moscow broadcast at 2235 (Budapest time), which claimed liquidation of the attackers, branded the Budapest rioting as a "counterrevolutionary revolt" of

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"Fascist thugs" who represent the "forces of foreign reaction." This Moscow commentary, the first Soviet reaction since the fighting began, also alleged that the outbreak "obviously had been in preparation for some time."

The fighting in Hungary--the greatest challenge to Communist authority yet to emerge in Eastern Europe--may cause the Soviet leaders to return to a tougher policy in the Satellites generally, and might cause them to reassess in particular their apparent decision to accommodate Gomulka in Poland. The Soviet decision not to intervene in Poland was presumably based in part on a general reluctance to compromise so drastically and openly their de-Stalinization campaign and "peaceful coexistence" line. This reluctance may already have been diminished by the necessity for direct intervention in Hungary. Although threats to the Communist regime in Poland, as distinct from threats to Soviet control, appear considerably less potent than those in Hungary, Moscow may now review its estimate of the ability of Gomulka and other Satellite leaders to maintain order.

The situation in Hungary outside of Budapest is not yet clear but there has been firm evidence of violence in other Hungarian cities.

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4. POLAND REPORTEDLY TO ASK FOR AMERICAN AID NEXT MONTH

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[redacted] Foreign Minister Rapacki may discuss the possibilities of American aid to Poland with Secretary Dulles at the United Nations General Assembly session in November. [redacted] the new Polish leaders are coming to the conclusion that without Western, specifically American, economic help, they will not be able to solve their problems and will in the long run have no independence from Moscow even if the Soviet Union lets them have their way now.

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Comment

An official of the Yugoslav Foreign Ministry on 23 October told the American embassy in Belgrade that the Poles had inquired about Yugoslav aid arrangements with the United States but had not asked Belgrade to make a "preliminary reconnaissance" on their behalf.

The American embassy in London reported that the British Foreign Office has been sufficiently encouraged by events in Poland to consider a camouflaged loan to Poland in the form of a generous trade agreement when British-Polish trade talks commence in late November.

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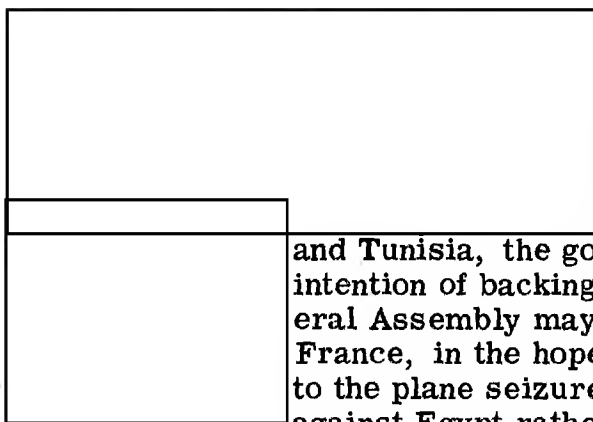
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6. FRANCE STIFFENS POSITION ON ALGERIA

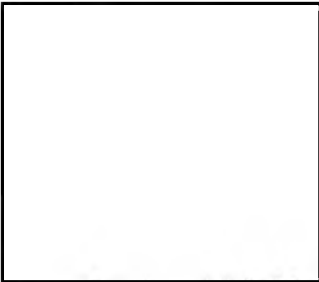
While some concern is evident in Paris over the effects the capture of five Algerian nationalist leaders may have on France's position in Morocco and Tunisia, the government thus far appears to have no intention of backing down. France's case in the UN General Assembly may be further weakened, however, and France, in the hope of offsetting the unfavorable reaction to the plane seizure, may concentrate on its complaints against Egypt rather than make the planned "declaration of intent" on Algeria. Premier Mollet has announced France's intention of presenting to the Security Council its complaints against Egypt for shipping arms to Algeria.

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Meanwhile, non-Communist French deputies generally have indicated enthusiastic support for the government's stand. There are some signs of discontent in the cabinet, however, and Mollet's reaffirmation on 23 October of his intention to continue the pacification effort will keep alive the apprehensions of the Radicals, as well as those of some of his Socialist Party.

7. INDONESIAN PRESIDENT'S IMPRESSIONS OF SINO-SOVIET BLOC

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Foreign Minister Abdulgani, who accompanied President Sukarno on a seven-week tour of the Sino-Soviet bloc, told the American ambassador in Djakarta that the president believed

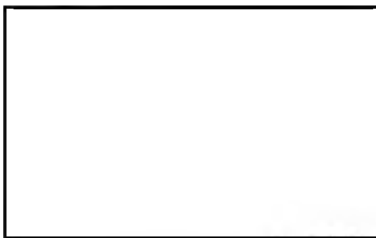
Marxism was "really working" in Communist China. Sukarno and most members of his entourage were more impressed generally with Communist China than by the Soviet Union. In Yugoslavia, Sukarno was intrigued by that government's ability to obtain aid from both East and West.

Sukarno will probably make public his impressions of bloc countries and their application to Indonesia when he addresses the Constituent Assembly, which he hopes to convene on 10 November. He has frequently stated that Indonesia can borrow profitably from both blocs in writing a constitution and in charting its economic philosophy. His sympathy for Marxism, now reinforced by his favorable impressions of Communist China, may lead him to advise even more strongly than heretofore a socialized economy and a highly centralized government. He will probably endorse increased relations in all fields with bloc countries and particularly with Communist China.

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8. LARGE-SCALE BURMESE ARMY DRIVE ON KARENS

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The Burmese army, following the end of the monsoon rains in mid-October, has started a drive against the Karen insurgents in eastern Burma. The drive

is being pressed in conformance with Premier Ba Swe's promise to do everything in his power to restore law and order within two years. The scope of the present campaign and concentration on the Karens may be due to their reported agreement last summer to co-operate closely with the Communist insurgents.

Although previous actions against the Karens have been indecisive, the American army attaché in Rangoon reports that the army is employing encircling tactics this year which are designed to prevent the insurgents from escaping to safe areas as they have in the past. The attaché is inclined to believe these tactics will succeed.

The prospects for success are further enhanced by greater co-operation from Thailand, which has just signed a treaty of friendship with Burma. The Thai foreign minister reportedly has indicated Bangkok's willingness to move Karen refugees into the interior of Thailand in order to prevent their contact with insurgents still in the field.

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 24 October)

Very heavy military traffic in the Israeli Central Command area was noted on 23 October, with some small units, including a water-tank company, moving southward, according to the US army attaché in Tel Aviv. He reported bridge construction, preparation of camouflage netting, very heavy laying of communication wire, and a large number of water trailers lined up in an area about six miles southeast of Tel Aviv. The attaché said also that the 11th Infantry Brigade appeared to be combat-loading preparatory to moving out. A reconnaissance in the Northern Command area revealed no military activity, with only a few troops observed. Israeli military activity was reported on 23 October to be continuing in forward areas opposite West Jordan and in the Southern Command.

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Jordanian chief of staff Nuwar stated on 24 October, following the meetings of the Syrian, Egyptian, and Jordan military representatives, that Syria, Egypt and Jordan had established a unified army command. He said this command, under Egypt's Major General Amer, would operate in the event of an Arab-Israeli war.

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A "Polish" submarine and an auxiliary were observed entering the Great Belt on a northerly course on 21 October, according to the US naval attaché in Copenhagen. This boat is probably one of two Soviet submarines to be transferred to Egypt by the USSR. The circumstances of this departure from the Baltic follow the pattern of the previous transfer of four Soviet mine sweepers and two destroyers to Egypt. If destined for Egypt, the submarine and its auxiliary should pass Gibraltar on about 29 October and arrive in Alexandria on about 6 November.

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